

Recommendation	Source
Approved: A. Principles for Effective Governance of Public Pension Funds	
<ul style="list-style-type: none"> • Adopt the proposed Principles for Effective Public Pension Fund Governance. <ol style="list-style-type: none"> 1. Effective and Capable Fiduciaries 2. Ethical Leaders 3. Open and Accountable to our Stakeholders 4. Risk Intelligent and Insightful in our Decisions 5. Long-Term View for needs of our Beneficiaries and System Participants 6. Continuous Learning and Adaptation to Changing Conditions 	New, developed and reviewed with Expert Panel
<ul style="list-style-type: none"> • Direct Funston Advisory Services to develop a context for the principles including definitions. 	Included in appendix
Approved B. Role of the Board and Committees	
<ul style="list-style-type: none"> • Each board member signs a statement acknowledging fiduciary responsibilities in conjunction with fiduciary training and self-assessment processes. 	New
<ul style="list-style-type: none"> • The President presents an annual report which reviews the effectiveness of and improvements in CalPERS governance processes. 	New
<ul style="list-style-type: none"> • Use a third party to assess board performance once every two years. 	New
<ul style="list-style-type: none"> • Develop a long-term CEO succession planning process. 	CGP Sec. I.B.3.
Approved: C. Role of the President / Vice President / Chairs / Vice Chairs	
<ul style="list-style-type: none"> • Confirm the role of the President as defined in the existing CalPERS Statement of Governance Principles. 	CGP Sec. V.
<ul style="list-style-type: none"> • Confirm the role of the Vice President as defined in the existing CalPERS Statement of Governance Principles. 	CGP Sec.VI.

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<ul style="list-style-type: none"> Confirm the role of the Committee Chairs and Vice Chairs as defined in the existing CalPERS Statement of Governance Principles. 	CGP Sec. VII.
<ul style="list-style-type: none"> Evaluate policies and processes related to board travel to promote improved compliance, controls and value received. 	New
<ul style="list-style-type: none"> Evaluate the best means to improve the board committee briefing process. 	New
<ul style="list-style-type: none"> Develop a framework to hold all executives accountable for performance linked to the agreed organization strategy, performance metrics and compensation system. 	New
Second Reading: D. Powers Reserved for the Board	
<ul style="list-style-type: none"> The Committee further discuss and clarify definitions of powers reserved for the board. 	Approx. 75% existing in CGP and committee charters and 25% new
<ul style="list-style-type: none"> Schedule a meeting with committee chairs and vice chairs and the responsible executives to discuss and refine the powers reserved definitions by topic over the next two weeks and bring back revised document with further definition and streamlining. - Completed 	
Second Reading: E. Board Committee Structure	
<ul style="list-style-type: none"> Ensure the process for nominating and electing committee chairs and vice chairs is transparent and well understood. 	New
<ul style="list-style-type: none"> Adopt a policy to review committee charters annually and update as needed. 	New
<ul style="list-style-type: none"> Move governance items out of BPAC into the Governance Committee and move administrative items out of BPAC and into Finance (renamed Finance & Administration Committee). 	New
<ul style="list-style-type: none"> Reduce the number of committees by consolidating Health and the remaining elements of BPAC into the Pension and Health Benefit Programs & Policy Committee. 	New
<ul style="list-style-type: none"> Reconfigure Finance and Risk Management to improve independent reassurance by consolidating all reassurance 	New

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activities into a revised Risk and Audit Committee.	
Approved: F. Delegations to Executives and Board Reporting Relationships	
<ul style="list-style-type: none"> The board will evaluate direct report performance and compensation based on the agreed-upon strategy, performance outcomes and metrics, not just activities. 	New
<ul style="list-style-type: none"> If the board is not satisfied with the performance of its direct reports, it will discipline or replace the executives but should not get involved in day-to-day operations. 	CGP Sec. I.A.3. and Sec. III.E.
<ul style="list-style-type: none"> The direct reports are responsible for providing reasonable assurance to the board that there are capable people, processes and systems in place to achieve agreed-upon outcomes while managing related risks so that they are within CalPERS established risk appetite. 	New
<ul style="list-style-type: none"> The board will have ready access to all executives, such access to be coordinated by the CEO. 	New
<ul style="list-style-type: none"> The board direct reports have the primary authority and responsibility for the hiring, evaluation, compensation and termination of their direct reports. 	Compensation Policies and Procedures
<ul style="list-style-type: none"> The Chief Investment Officer retains investment autonomy and decision authority over hiring, evaluation, compensation and firing of Investment Office personnel. 	EXEC-95-101 III.C.2.a. and INVO-09-01 1.
<ul style="list-style-type: none"> Executives (to the level of senior portfolio managers) are required to certify in writing at least annually that they have been free from undue influence (i.e., when a person of higher authority exerts an influence that deprives another of his/her independent judgment) by any individual board member, executive or third party. 	New
<ul style="list-style-type: none"> The board and/or its committees will establish a schedule of closed session meetings with selected executives i.e., making frequent reports to the board or significant investment decisions. 	New
<ul style="list-style-type: none"> Adopt a reporting structure with two direct reports to the Board, the CEO and the CIO. 	New

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Second Reading: G.Setting the Board Agenda and Improving Reporting to the Board	
Setting the Board Agenda	
<ul style="list-style-type: none"> The setting of the board agenda is tied directly to the annual planning calendar. 	New
<ul style="list-style-type: none"> The board agenda is tied directly to the board's approval and oversight responsibilities and related outcomes. 	New
<ul style="list-style-type: none"> The President and CEO, in consultation with the Committee Chairs, actively engage the board in setting the strategic agenda and review and adjust quarterly. 	CGP Sec. VII.D.1.
<ul style="list-style-type: none"> The CEO engages the board in collaboratively developing the strategy. 	New
<ul style="list-style-type: none"> The board, working with the executive staff, develops and adopts a concise, consistent framework for agenda decision items which includes, for example, the recommendation, description and analysis of alternatives considered, pros and cons of the recommendation, risks of action and inaction, long-term implications, and costs and benefits. This framework is to be used by the board and committees for all agenda decision items. 	New
Reports and meeting protocols	
<ul style="list-style-type: none"> The board will maintain a list of significant topics/issues which are of interest to the full board but are delegated for deliberation and recommendation to one of the board committees (e.g., pension soundness, organization strategy). Each committee will report on its discussions and deliberations of significant issues and present its recommendations to the full board to ensure that each member is adequately informed. Likewise, each board member has a responsibility to stay apprised of key issues being addressed by the various committees. 	New
<ul style="list-style-type: none"> The board and each committee will review all current information reports to determine those which are statutorily required and those which may be streamlined or removed. 	New
<ul style="list-style-type: none"> The board will define its information requirements, the 	CGP Sec. I.E.5.

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thresholds that trigger board attention for each topic, and the frequency of standard reports.	
<ul style="list-style-type: none"> The CEO is responsible for keeping the board appropriately informed and escalating issues on a timely basis. 	CGP Sec. IV.B.6.
<ul style="list-style-type: none"> The board will make use of consent agendas to bundle items which do not require debate into a single voting package to expedite approval of routine matters. 	New
<ul style="list-style-type: none"> The President and CEO are responsible for managing the effective and efficient flow of information to the board without being overly detailed. 	CGP Sec. V.A.5.
<ul style="list-style-type: none"> The CEO will assign a specific senior executive to coordinate with each committee and collaboratively develop the annual agenda proposals, and the effective and efficient flow of pertinent information is a compensable performance goal for the responsible executive. 	CGP Sec. IV.B.2. (partial)
<ul style="list-style-type: none"> Each committee maintains a standing set of questions pertinent to recurring decisions or oversight for that committee. This would typically include questions related to the potential outcomes of a decision and their impact on the goals of CalPERS (e.g., What is the long-term impact of this decision on our members? How does this decision mitigate risk?) 	New
<ul style="list-style-type: none"> Adopt a policy whereby committee chairs are responsible for receiving and prioritizing (based upon established policies) ad hoc requests for new reports and analyses, taking into account the effect on staff time and resources required to produce such reports and analyses. 	CGP Sec. III.P.1. (partial)
<ul style="list-style-type: none"> A sunset review of all reports will be conducted at appropriate intervals to determine their continuing utility. 	New
<ul style="list-style-type: none"> A board portal will be implemented to facilitate effective decision making and use of board member time. 	New
Approved: H. Board Self-Assessment Process	
<ul style="list-style-type: none"> Develop and implement a new self-assessment process which assesses the whole board, the president and vice president, individual members, committees, and committee chairs and vice chairs, and includes multiple bases for evaluation: 	CGP Sec. I.E.4. (partial)

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<ul style="list-style-type: none"> - Principles. - Responsibility and Authority. - Process. - Outcomes. 	
<ul style="list-style-type: none"> • Utilize one or more techniques for obtaining self-assessment feedback: <ul style="list-style-type: none"> - Expert third party facilitator to lead or co-lead (with the Board President) the self-assessment process. - Get feedback from external key stakeholders on board performance. - Obtain an independent third party evaluation of the board's performance. - Include peer-to-peer and upward evaluations (360°) from staff. 	New
Approved: I. Board Self-Development Process	
<ul style="list-style-type: none"> • Establish an annual continuing education plan and budget. 	New
<ul style="list-style-type: none"> • Obtain leadership education for all board members on the role of the board vis-à-vis management and the role of the chairs and vice-chairs in the effective management of board and staff time. 	New
<ul style="list-style-type: none"> • Develop a profile of the skills and attributes desired for the board overall and for each committee chair and member, and arrange for board development programs consistent with the desired attributes and skills. 	New
<ul style="list-style-type: none"> • Tie certain board self-development activities directly to topics contained in the decision-making agenda. 	New
<ul style="list-style-type: none"> • Build an educational element into each board meeting, or if not each meeting, in a regular cadence. 	New
<ul style="list-style-type: none"> • Further discuss public reporting of the annual development activities completed by each member. 	New
Approved: J. Selected Policies Governing Board Conduct	
<ul style="list-style-type: none"> • For matters which legitimately should be kept confidential (personnel matters, contract negotiations, sensitive investment 	New

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<p>information), adopt a confidentiality policy which:</p> <ul style="list-style-type: none"> - Provides for disciplinary action if violated. - Applies to board members, staff, and external service providers. - Prohibits use of confidential information for personal gain or for the benefit of outside interests. 	